

Message Text

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INFO OCT-01 EA-06 IO-10 ISO-00 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NEA-09 NSAE-00 OPIC-03

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R 051332Z MAY 75

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INFO AMEMBASSY ANKARA

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PASS CEA FOR CHISWICK AND VON FURSTENBURG, FRB FOR
JUNZ, LABOR FOR KUTCHER, TREASURY

E.O.11652: N/A

TAGS: ECON, OECD

SUBJECT: SUMMARY OF CONCLUSIONS OF EPC'S WP-2,
APRIL 21-22

REFS: (A) STATE 86468

(B) STATE 75396

(C) USOECD 9993

(D) USOECD 8953

(E) OECD DOCUMENTS CPE/WP2(75)1, 2 AND 3

1. SUMMARY: IN A LETTER TO DELEGATION HEADS FROM
STEPHEN MARRIS, THE SECRETARIAT HAS SUMMARIZED THE MAJOR
CONCLUSIONS OF EPC'S WORKING PARTY 2, WHICH MET ON
APRIL 21-22. THE NEXT MEETING IS SCHEDULED FOR OCTOBER
16-17, 1975. ACTION REQUESTED: REPLIES BY MID-MAY TO
SECRETARIAT REQUESTS IN PARAGRAPHS 2, 5, AND 6 BELOW,
AND SUBMISSIONS BY AUGUST 15 OF MEDIUM-TERM GROWTH PRO-
JECTIONS TO 1980. END SUMMARY.

BEGIN TEXT (SALUTATIONS AND SIGNATURES DELETED):

2. "THE MEETING WAS INFORMED ABOUT THE STATE OF THE
PILOT STUDY ON THE CLASSIFICATION OF PUBLIC EXPENDITURE.
REPLIES TO THE QUESTIONNAIRE, WHICH WERE DUE BY 15TH
FEBRUARY, HAVE SO FAR BEEN RECEIVED FROM AUSTRALIA,
BELGIUM, FINLAND, GERMANY, ITALY, PORTUGAL, SWEDEN AND
SWITZERLAND. THE CHAIRMAN URGED THOSE COUNTRIES WHICH
HAD NOT YET REPLIED TO DO SO AS SOON AS POSSIBLE, AND
REQUESTED THE DELEGATES OF THESE COUNTRIES TO REPORT ON
THE PRESENT STATE OF WORK ON THE QUESTIONNAIRE TO THE
SECRETARIAT BY 15TH MAY.

3. "THE WORKING PARTY DISCUSSED TWO PAPERS ON PUBLIC
EXPENDITURE. IT EXPRESSED BROAD APPRECIATION OF THE
STUDIES AND FELT THAT THESE WERE BECOMING INCREASINGLY
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VALUABLE AS NEW RESULTS WERE MADE AVAILABLE AND FURTHER
TOPICS WERE COVERED. GENERAL SUPPORT WAS EXPRESSED ON
THE NEED TO CONTINUE AND COMPLETE THE EXERCISE.

4. "ON THE SUBJECT OF INCOME MAINTENANCE EXPENDITURE
(CPE/WP2(75)1), THERE SEEMED TO BE GENERAL AGREEMENT
WITH THE MAIN THRUST OF THE SECRETARIAT'S PAPER AND WITH
THE ADDITIONAL WORK THAT WAS PROPOSED. IT WAS FELT THAT

THE FOLLOWING MAIN TOPICS DESERVED FULLER TREATMENT:

(I) THE CONCEPT OF POVERTY NEEDED MORE CAREFUL CONSIDERATION. THIS WHOLE ISSUE MIGHT BE SUPPLEMENTED BY A BROADER LOOK AT INCOME DISTRIBUTION DATA AND AT INEQUALITY AT THE BOTTOM OF THE SCALE;

(II) A NUMBER OF SUBJECTS ONLY BRIEFLY TREATED SO FAR SHOULD BE ENLARGED (I.E. THE RELATIONSHIP TO TAX CREDITS, THE EXTENT OF PRIVATE SYSTEMS, FINANCING ISSUES, THE EFFECTS OF INCOME MAINTENANCE EXPENDITURE ON SAVINGS AND FOREGONE OUTPUT ETC.);

(III) THE COUNTRY COVERAGE SHOULD BE INCREASED AND

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MORE RECENT DATA SHOULD BE INCORPORATED.

5. "IN ORDER TO FULFILL THESE VARIOUS TASKS, THE WORKING PARTY AGREED THAT A SMALL AD HOC GROUP OF EXPERTS SHOULD MEET ONCE OR TWICE IN THE COMING MONTHS TO HELP THE SECRETARIAT COMPLETE THE STUDY. THE NAME OF A NATIONAL EXPERT BEST QUALIFIED TO PARTICIPATE IN THIS GROUP (AND WHO MAY ALSO BE THE PERSON RESPONSIBLE FOR GATHERING THE INFORMATION ON POINTS (I) TO (IV) BELOW) SHOULD BE COMMUNICATED TO THE SECRETARIAT BY MID-MAY AT THE LATEST. IN ADDITION, THE SECRETARIAT ASKED DELEGATES TO PROVIDE BY END-MAY:

(I) CORRECTIONS OR QUALIFICATIONS TO THE PRESENT PAPER;

(II) LATEST AVAILABLE DATA ON INCOME MAINTENANCE EXPENDITURE AND INFORMATION ON RECENT OR PENDING CHANGES IN SYSTEMS (AS WELL AS ESTIMATES OF THEIR EFFECTS ON EXPENDITURE LEVELS);

(III) FORECASTS AND UNDERLYING ASSUMPTIONS (DISTINGUISHING, IF POSSIBLE, BETWEEN "UNAVOIDABLE" AND DISCRETIONARY CHANGES);

(IV) INFORMATION ON THE SCOPE OF PRIVATE PROVISIONS

IN THIS FIELD, ON FINANCING ARRANGEMENTS AND ON
BENEFITS IN KIND.

6. "THE DISCUSSION ON THE PAPER ON PUBLIC EXPENDITURE ON
EDUCATION (CPE/WP2(75)2), WAS RELATIVELY BRIEF. W/HILE
THERE WAS LITTLE DISAGREEMENT ON THE BROAD LINES OF THE
DOCUMENT, SOME DELEGATIONS FELT THAT IN A FEW PLACES THE
BALANCE OF THE ARGUMENT SHOULD BE REVIEWED. SUGGESTIONS
WERE ALSO MADE, BOTH BY DELEGATIONS AND BY THE SECRE-
TARIAT, TO ENLARGE THE COUNTRY COVERAGE, AND GIVE MORE
EXPLICIT TREATMENT TO THE PROBLEM OF FOREGONE OUTPUT.
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IT WAS AGREED THAT THE PRESENT PAPER COULD BE SUBMITTED
TO THE ORGANISATION'S EDUCATION COMMITTEE, WHICH WILL
MEET ON 12TH, 13TH AND 14TH MAY. DELEGATES WERE
REQUESTED TO:

(I) PROVIDE ANY FURTHER WRITTEN COMMENTS ON THE
PAPER BEFORE THAT DATE WHICH COULD BE TAKEN INTO
ACCOUNT FOR AN ORAL STATEMENT TO BE MADE TO THE
EDUCATION COMMITTEE;

(II) CHECK THE FIGURES USED IN THE PRESENT DOCUMENT.

THE SECRETARIAT WOULD CONTACT INDIVIDUALLY THE DELEGA-
TIONS OF THOSE COUNTRIES FOR WHICH IT WAS PLANNING TO
INCLUDE NEW FIGURES IN THE REVISED VERSION OF THE PAPER.

7. "GENERAL AGREEMENT WAS EXPRESSED ON THE NEED FOR
LAUNCHING NEW WORK ON MEDIUM-RUN GROWTH PROSPECTS. GIVEN
THE SECRETARIAT'S LIMITED RESOURCES, IT WAS DECIDED THAT
IN THE FIRST STAGE WORK WOULD BE MAINLY DONE IN CAPI-
TALS AND THAT THE SECRETARIAT WOULD LIMIT ITS ROLE TO
COLLECTING AND PROVIDING SOME ANALYSIS OF NATIONAL PRO-
JECTIONS OF OUTPUT GROWTH TO 1980.

8. "THERE WAS CONSIDERABLE SUPPORT FOR A MORE SUB-
STANTIAL EXERCISE IN LINE WITH THE SUGGESTIONS MADE IN
CPE/WP2(75)3 AND DURING THE COURSE OF THE DISCUSSION.
IT WAS FELT PARTICULARLY THAT IT WOULD BE VALUABLE IF
THE SECRETARIAT WERE TO PREPARE PROJECTIONS THROUGH 1980
UP TO 1985 BASED ON COMMON ASSUMPTIONS AND ON A COMMON
METHODOLOGY. SUCH A STUDY SHOULD BE "PROBLEM ORIENTED"
AND A WIDE RANGE OF SUBJECTS FOR INVESTIGATION WAS
SUGGESTED. AMONG THESE, DELEGATES STRESSED THE PROB-
LEMS OF INFLATION, OF INCOME FORMATION AND FINANCING,
OF PUBLIC EXPENDITURE, OF INVESTMENT REQUIREMENTS IN
ENERGY AND OTHER SECTORS, OF NEW TRENDS IN LABOUR MAR-
KETS AND IMMIGRATION, AND OF THE CHANGING PATTERNS OF

INTERNATIONAL TRADE BETWEEN INDUSTRIALISED AND DEVELOPING COUNTRIES. IT WAS RECOGNISED THAT INITIATION AND IMPLEMENTATION OF A PROGRAMME ALONG THESE LINES WOULD DEPEND ON THE RESOURCES AVAILABLE TO THE SECRETARIAT.
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9. "IN ORDER TO PROVIDE MEMBER COUNTRIES QUICKLY WITH SOME IDEA OF WHAT MEDIUM-TERM TRENDS ARE LIKELY TO BE IN THE AREA AS A WHOLE, IT WAS AGREED THAT DELEGATES SHOULD PROVIDE TO THE SECRETARIAT BY 15TH AUGUST (OR WHERE THIS

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IS NOT POSSIBLE, NOT LATER THAN THE END OF 1975) ALL MATERIAL AVAILABLE ON COUNTRIES' LATEST PROJECTIONS TO 1980 (OR A CLOSELY RELATED YEAR), INCLUDING PRELIMINARY OR UNOFFICIAL DATA. IN ADDITION TO THE USUAL INFORMATION REQUIRED IN SUCH CIRCUMSTANCES (GNP, MAJOR DEMAND COMPONENTS, LABOUR FORCE, CAPITAL STOCK, ETC.), THE FOLLOWING ITEMS MIGHT BE PARTICULARLY VALUABLE:

(I) PARTICIPATION RATES, WORKING HOURS AND FOREIGN LABOUR ASSUMPTIONS;

(II) WORLD TRADE AND EXCHANGE RATE ASSUMPTIONS;

(III) PRICE FORECASTS;

(IV) ANY SECTORAL BREAKDOWN THAT MAY BE AVAILABLE AS WELL AS ESTIMATES, IF ANY, OF THE IMPACT OF RELATIVE PRICE SHIFTS ON CAPACITY;

(V) QUALITATIVE INFORMATION ON THE NATURE OF THE PROJECTIONS (E.G. NORMATIVE OR PURELY EXPLORATORY; TIME PATH OR TERMINAL YEAR; TYPE OF MODEL USED, ETC.).

THE SECRETARIAT WILL CONSIDER WHAT OTHER INFORMATION MIGHT BE HELPFUL FOR THE PURPOSES OF THIS EXERCISE AND INVITES COMMENTS FROM DELEGATIONS FOR SUGGESTIONS IN

THIS RESPECT.

10. "THE DATE OF THE NEXT MEETING WAS SET FOR 16TH AND 17TH OCTOBER. AT THAT MEETING THE WORKING PARTY WOULD CONSIDER THE FOLLOWING DOCUMENTS:

(I) A FINAL VERSION OF THE PAPER ON EDUCATION
EXPENDITURE;

(II) A NEAR FINAL VERSION OF THE PAPER ON INCOME
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MAINTENANCE EXPENDITURE;

(III) A PRELIMINARY PAPER ON HEALTH EXPENDITURE.

IN ADDITION, AND GIVEN THE NECESSITY TO REPORT TO THE NOVEMBER MEETING OF THE ECONOMIC POLICY COMMITTEE ON THE TWO TOPICS COVERED IN (I) AND (II) ABOVE, THE SECRETARIAT WOULD PREPARE SOME, PERHAPS PROVOCATIVE, CONCLUSIONS ON BOTH THESE PAPERS WHICH THE WORKING PARTY MIGHT WISH TO SUBMIT TO THE ECONOMIC POLICY COMMITTEE.

11. "WITH RESPECT TO THE WORK ON LONGER-RUN GROWTH, IT WAS FELT DESIRABLE TO HAVE AN INTERIM REPORT ON THE BASIS OF EARLY COUNTRY SUBMISSIONS DISCUSSED AT A MEETING IN DECEMBER OF THIS YEAR. A FINAL REPORT COULD THEN BE PREPARED FOR SPRING 1976."

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMITTEE MEETINGS, ECONOMIC TRENDS, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975OECDP11280
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750156-1086
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750581/aaaacwca.tel
Line Count: 420
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 8
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 86468
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 02 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 APR 2003 by ElyME>; APPROVED <02 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SUMMARY OF CONCLUSIONS OF EPC'S WP-2, APRIL 21-22
TAGS: ECON, OECD
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006